1 **ABSTRACT** 2 A system, method and computer program for creating and valuing financial instruments 3 (including but not limited to futures, forwards, call options, put options, swaps, "swaptions", and "op-swaps") linked to average credit spread information. The present invention will be referred 4 5 to in this application as an average credit spread-linked financial instrument, and is defined as a 6 financial instrument whose value changes based on movements in underlying average credit 7 spreads. These average credit spreads may be calculated, or may already be published by 8 sovereign governments, government-chartered agencies and departments (ex. U.S. Treasury 9 Department), non-governmental organizations, commercial banks, investment banks, and many 10 other organizations. The instruments can be written, with a published average credit spread 11 number as the initial value upon which the financial instrument's terms are based. The predicted 12 future value of said credit spread will change in response to market buy / sell demand based on 13 investor expectations of said predicted future value of said credit spread related to one or more 14 credit spread-linked financial instrument(s). Thus, the predicted future value of said spread will 15 change in response to said market demand as investors offer to buy and / or sell credit spread-16 linked financial instruments which will be listed on securities exchanges and electronic 17 commerce networks (ECNs) as well as over the counter (OTC) and in private transactions. Each 18 predicted future average credit spread value will change based on said investor expectation of 19 how strong demand will be for the underlying average credit spread involved. Thus, the present 20 invention gives investors a means of taking or adjusting positions upon average credit spread 21 changes in market segments defined by geography, credit history, industry type, industry size, 22 firm size, provision of collateral, third-party guarantee, or type of debt obligation. It is important 23 to note credit spread-linked financial instruments can be created either in standardized contract 24 sizes that can be traded on futures, options or other securities exchanges, ECNs and / or OTC, or 25 can be customized to meet the specifications of a transactional counterparty which wishes to 26 speculate on movements in market segments defined by geography, credit history, industry type, 27 industry size, firm size, provision of collateral, third-party guarantee, or type of debt obligation. 28 Such instruments may also be created from a plurality of spreads, thus allowing an investor to 29 package movements from several different credit spreads into a single financial instrument. 30 Such instruments may also involve a combination of credit spread-linked financial instruments,

- 1 either with each other or with other financial instruments in a combination containing at least one
- 2 credit spread-linked financial instrument.